United Nations A/64/368

General Assembly

Distr.: General
24 September 2009

Original: English

Sixty-fourth session
Agenda item 129
Financial reports and audited financial statements, and reports of the Board of Auditors

Implementation of the recommendations of the Board of Auditors contained in its report on the capital master plan for the year ended 31 December 2008

Report of the Secretary-General

Summary

The present report provides additional information in response to the recommendations of the Board of Auditors as contained in its report on the capital master plan for the year ended 31 December 2008. The report is submitted in accordance with paragraph 7 of General Assembly resolution 48/216 B, in which the Secretary-General was requested to report to the Assembly at the same time as the Board of Auditors submitted its recommendations to the Assembly on measures taken or to be taken to implement those recommendations.

The Administration has concurred with most of the Board's recommendations, and most of the comments of the Secretary-General have been duly reflected in the reports of the Board. Therefore, in an effort to reduce redundancy and streamline documentation, the present report provides additional comments from the Administration only where required, as well as information on the status of implementation, the office responsible, the estimated completion date and the priority for each recommendation contained in the reports of the Board of Auditors. In addition, the report also contains updated information on the status of implementation of the recommendations of the Board relating to prior periods that were reported by the Board as not having been fully implemented in the annexes to its reports.

09-52335 (E) 071009

Please recycle

I. Introduction

1. In paragraph 7 of its resolution 48/216 B, the General Assembly requested the Secretary-General to report to it on the measures that would be taken to implement the recommendations of the Board of Auditors at the same time as the reports of the Board were submitted to the Assembly. Accordingly, the present report is submitted in response to the recommendations of the Board contained in its report on the capital master plan for the year ended 31 December 2008.[1]

2. Section II provides information on the implementation of the recommendations contained in the reports of the Board of Auditors on the capital master plan. Section III provides information on the implementation of three recommendations contained in the Board's reports for prior years.

II. Implementation of the recommendations contained in the report of the Board of Auditors on the capital master plan for the year ended 31 December 2008

Overview

3. Set out below is the information on the status of implementation of recommendations contained in the report of the Board of Auditors on the capital master plan for the year ended 31 December 2008. Most of the Administration's comments have already been included in the Board's report; thus, additional comments are provided below only where required.

4. Table 1 summarizes the status of implementation of recommendations as at September 2009.

Table 1
Status of implementation of main recommendations

Department responsible	*Number of recommendations*	*Not accepted*	*Implemented*	*In progress*	*Target date set*	*No target date*
Department of Management	11	3	4	4	3	1
Total	**11**	**3**	**4**	**4**	**3**	**1**

5. Of the 11 main recommendations referred to in table 1, 3 have target dates, 2 of which are targeted for implementation by the end of 2009 and 1 by 2011. One recommendation is considered ongoing; hence, no target date for it has been set.

[1] *Official Records of the General Assembly, Sixty-fourth Session, Supplement No. 5* (A/64/5), vol. V.

Table 2
Status of implementation of all recommendations

Department responsible	*Number of recommendations*	*Not accepted*	*Implemented*	*In progress*	*Target date set*	*No target date*
Department of Management	18	3	9	6	5	1
Total	**18**	**3**	**9**	**6**	**5**	**1**

6. As indicated in table 2, the implementation of six recommendations is in progress, and a total of nine recommendations have been implemented.

Detailed information on implementation status

7. **In paragraph 47, the Board recommended that prior to the full implementation of the International Public Sector Accounting Standards, the Administration take steps to report in volume I of the financial statements of the United Nations only that portion of capital master plan expenditures that constitutes capital costs as part of construction in progress.**

8. The accounting policy under the International Public Sector Accounting Standards (IPSAS) for the treatment of the various categories of capital master plan costs has been defined. These cost categories will include: direct and indirect construction costs; professional fees associated with construction; programme management costs; fees for designs by architects and engineers; and other consulting costs related to the design. The capital master plan will be in a position to differentiate between costs to be capitalized and costs to be treated as operating expenditures.

Department responsible: Department of Management
Status: Accepted
Priority: High
Target date: 31 December 2011

9. **In paragraph 55, the Board recommended that the Administration distinguish between the provision for contingencies and that for forward pricing escalation, as was done in the previous presentation of the cost estimate for the project.**

10. The Office of the Capital Master Plan decided to merge contingency with escalation. With the advance in the implementation over the past year, it did not make sense to continue to carry the two line items separately. A significant portion of the project has already been purchased, which has led to a reduction in risk. This recommendation, therefore, is not accepted.

Department responsible: Department of Management
Status: Not accepted
Priority: Not applicable
Target date: Not applicable

11. **In paragraph 61, the Board reiterated its recommendation that the Administration detail the economic assumptions used to arrive at the cost estimate for the project and monitor the evolution of those assumptions and their consequences for the project.**

Department responsible: Department of Management
Status: Implemented
Priority: Medium
Target date: Not applicable

12. **In paragraph 66, the Administration agreed with the Board's recommendation to keep the extent of the provision for contingencies under review in the event of future modifications to the scope of the capital master plan.**

Department responsible: Department of Management
Status: Implemented
Priority: High
Target date: Not applicable

13. **In paragraph 68, the Board recommended that the Administration maintain a schedule showing the link between the renovation costs and the (i) actual value of the signed guaranteed maximum price contracts and (ii) estimated value of the guaranteed maximum price contracts to be signed.**

14. For guaranteed maximum price contracts already signed, the budget is set at the value of such contracts, plus 10 per cent for contingencies. A detailed weekly schedule is maintained with the signed contract value and a projection of the value of change orders. For guaranteed maximum price contracts that have not yet been signed, a budget is set, plus an additional contingency amount of 20 per cent thereof. This links the renovation costs and the guaranteed maximum price projections in the best way possible.

Department responsible: Department of Management
Status: Implemented
Priority: High
Target date: Not applicable

15. **In paragraph 78, the Board recommended that the Administration make provision for delays in the schedule of the project and continue to consider ways to mitigate delays.**

16. The Office of the Capital Master Plan is working closely with the Construction Manager, Programme Manager, subcontractors and client Departments and Offices to maintain the capital master plan schedule and to mitigate delays.

Department responsible: Department of Management
Status: Implemented
Priority: High
Target date: Not applicable

17. **In paragraph 85, the Board recommended that the Administration expedite the preparation and approval of the contracts relating to the Secretariat Building.**

Department responsible: Department of Management
Status: In progress
Priority: Medium
Target date: November 2009

18. **In paragraph 86, the Board recommended that the Administration take advantage of the late start of work on the Secretariat Building to make additional checks on the state of the Building, particularly regarding asbestos removal, and establish a very rigorous system for checking progress in regard to works and supplies.**

19. The Office of the Capital Master Plan has been proactive in conducting a constructability review of the Secretariat complex and include: (a) probes and inspections to confirm and verify the location of asbestos; (b) ascertain utility loads; (c) trace security, telecom and data cables; and (d) establish a mock-up of the proposed curtain wall to simulate and test wind and rain conditions.

Department responsible: Department of Management
Status: Implemented
Priority: Medium
Target date: Not applicable

20. **In paragraph 90, the Administration agreed with the Board's recommendation to oversee strict compliance by the Construction Manager with its obligations.**

21. The Office of the Capital Master Plan oversees very closely the work of the Construction Manager and all of the other consultants and contractors on the project.

Department responsible: Department of Management
Status: Ongoing
Priority: High
Target date: Not applicable

22. **In paragraph 92, the Board recommended that the Administration expedite the relocation of all staff to avoid aggravating the delay in the start of the work on the Secretariat Building.**

23. Most of the staff from the Secretariat has been relocated to swing spaces, and the remaining staff is scheduled to vacate the Building by year end, as scheduled.

Department responsible: Department of Management
Status: In progress
Priority: Medium
Target date: December 2009

24. **In paragraph 102, the Board reiterated its recommendation that the Secretary-General establish the advisory board for the capital master plan.**

25. The Office of the Capital Master Plan has solicited and received nominations for members of the advisory board from Member States, and is preparing to appoint the advisory board by the deadline requested by the General Assembly.

Department responsible: Department of Management
Status: Accepted
Priority: High
Target date: 31 December 2009

26. **In paragraph 105, the Board recommended that the Administration pursue its communication efforts with staff members regarding aspects of the capital master plan that would affect their working conditions.**

27. Staff members were apprised of the plans and the status of the capital master plan project by means of regular town hall meetings, as well as by a variety of iSeek articles, broadcast notifications, meetings with individual departmental and user groups, and staff union coordination meetings. The Office of the Capital Master Plan also maintains two dedicated websites, one internal (to keep staff informed of the status of the project and the impact on staff) and one external (to keep staff and the broader readership informed about the progress of the project).

Department responsible: Department of Management
Status: Implemented
Priority: Medium
Target date: Not applicable

28. **In paragraph 113, the Board recommended that the Administration take appropriate measures to regularize the transactions that occurred under the authority granted to the Director of the Procurement Division in accordance with the memorandum of the United Nations Controller and approved on 15 November 2007.**

29. The recommendation is not accepted. In the paragraphs preceding its recommendation, the Board narrated the sequence of events that had led to an increase in the delegation of authority granted to the Director of the Procurement Division. The report does not include any indication of non-compliance with the memorandum dated 15 November 2007, nor does it indicate that any irregular transaction had been performed using the delegation of authority.

30. In paragraph 112, the Board observed that in the light of the position taken by the Chairman of the Headquarters Committee on Contracts, a gap existed in respect of the transactions performed by the Director of the Procurement Division under his delegation of authority, in terms of compliance with the financial regulations and rules of the United Nations. This observation is unfounded.

31. Financial rule 105.13 (b) states that: "The Under-Secretary-General for Management shall establish the composition and the terms of references of such committees, which shall include the types **and monetary values of proposed procurement actions subject to review**" (emphasis added) (see ST/SGB/2003/7). In granting a higher delegation of authority to the Director of the Procurement Division to approve contract amendments with respect to the capital master plan, the authorized official[2] has hence revised the monetary value of procurement actions subject to review by the Headquarters Committee on Contracts. It should be noted that the transactions not reviewed by the Headquarters Committee on Contracts, but approved under the authority of the Director of the Procurement Division, are still performed within the framework of the financial regulations and rules of the United Nations, and related policies and procedures.

Department responsible: Department of Management
Status: Not accepted
Priority: Not applicable
Target date: Not applicable

[2] The authorized official in this case refers to the individual in receipt of a delegation of authority under the financial regulations and rules for procurement actions. Such a delegation of authority is granted by the Under-Secretary-General for Management.

32. **In paragraph 120, the Board recommended that the Administration consider ways and means to increase significantly the level of internal control over amendments to contracts relating to the capital master plan.**

33. The Board observed that in the absence of the involvement of the Headquarters Committee on Contracts, the lacuna in the internal control continues to exist. The observation is based on a change in procedure for the review of the amendments to contracts. It should be reiterated that the Board did not indicate irregularities in a specific transaction. Hence, the Administration disagrees with the Board's observation that a lacuna exists in the internal controls.

34. It should be noted that during a risk assessment of the capital master plan conducted by the Office of Internal Oversight Services, procurement and the need to expedite the review of contract amendments and change orders were identified as one of the highest risks in the completion of the capital master plan. Consequently, the decision was made to increase the delegation of authority in order to ameliorate those risks, while remaining within the framework of the financial regulations and rules of the United Nations.

35. It should be noted that the Administration is currently reviewing the terms of reference and the composition of the review committee for the ex post facto cases resulting from the contract amendments and change orders approved under the delegations of authority granted to the Director of the Procurement Division and to the Executive Director of the capital master plan. The review committee is expected to be established in October 2009.

Department responsible: Department of Management
Status: Accepted
Priority: High
Target date: October 2009

36. **In paragraph 121, the Board recommended that, as long as no ex post facto review procedure is secured, the Administration make every effort to involve the Headquarters Committee on Contracts in the adjudication process prior to signing or amending contracts that are within the scope of the authority of that Committee.**

37. The recommendation is not accepted. The scope and the authority of the Headquarters Committee on Contracts have been defined in accordance with financial rule 105.13 (b) to review cases above the delegation of authority to the Director of the Procurement Division. Hence, involving the Headquarters Committee on Contracts in the review of contracts amended by the Director of the Procurement Division under his authority would be extending the scope of the Committee. Furthermore, as indicated above, the review committee is expected to be established in October 2009.

Department responsible: Department of Management
Status: Not accepted
Priority: Not applicable
Target date: Not applicable

38. **In paragraph 127, the Board recommended that the Administration adhere strictly to the requirements of the Procurement Manual relating to contractual amendments for new works and services.**

39. The Department of Management follows rigorously the Procurement Manual as amended by the delegation of authority duly granted to the Director of the Procurement Division.

Department responsible: Department of Management
Status: Implemented
Priority: High
Target date: Not applicable

40. **In paragraph 133, the Board recommended that, in accordance with General Assembly resolution 63/270, the Administration disclose in the cost estimate for the capital master plan the associated costs approved by the General Assembly.**

41. The associated costs are presented to the General Assembly as addendum 2 to the annual progress report on the capital master plan.

Department responsible: Department of Management
Status: Implemented
Priority: Medium
Target date: Not applicable

42. **In paragraph 142, the Board took note of the findings and conclusions of OIOS and underlined the need for the Administration to address them expeditiously.**

43. OIOS recommendations are expeditiously addressed and reported as part of the monitoring process of that Office.

Department responsible: Department of Management
Status: Implemented
Priority: Medium
Target date: Not applicable

III. Implementation of the recommendations contained in the reports of the Board of Auditors on the capital master plan for prior years

Overview

44. In paragraph 10 of its resolution 62/223 A, the General Assembly requested the Secretary-General to provide a full explanation for delays in implementation of the recommendations of the Board for prior periods, in particular those recommendations not yet fully implemented which are two or more years old.

45. In the annex to its report for the year ended 31 December 2008,[1] the Board provided a summary of the status of implementation of recommendations for the year ended 31 December 2007. Information is provided below on the three recommendations shown as "partially implemented" or "not implemented" in the annex, set out in the order in which the recommendations were presented.

46. Table 3 provides a summary of the overall situation. The implementation of two recommendations is in progress.

Table 3
Status of implementation of all recommendations relating to recommendations for the year ended 31 December 2006

Department responsible	*Number of recommendations*	*Not accepted*	*Implemented*	*In progress*	*Target date set*
Department of Management	3	—	1	2	2
Total	**3**	—	**1**	**2**	**2**

Detailed information on implementation status

47. **In paragraph 38 of its report on the capital master plan for the year ended 31 December 2007,[3] the Board recommended that the Office of the Capital Master Plan detail the economic assumptions used to arrive at the cost estimate of the project and monitor the evolution of those economic assumptions and their consequences for the project.**

Department responsible: Department of Management
Status: Implemented
Priority: High
Target date: Not applicable

48. **In paragraph 54, the Board reiterated its recommendation that the Administration establish the advisory board, with responsibility for, among other things, monitoring the architectural quality of the capital master plan project and assessing the information supplied by the scoreboard.**

49. Efforts to create an advisory board for the capital master plan by 31 December 2009 continue, as requested by the General Assembly. Please see paragraph 18 above.

Department responsible: Department of Management
Status: In progress
Priority: High
Target date: 31 December 2009

50. **In paragraph 57, the Board reiterated its recommendation that the Office of the Capital Master Plan keep capitalized costs separate from operating costs relating to the project.**

51. Preliminary assessments have commenced in conjunction with the Accounts Division and the Programme Planning and Budget Division with the aim of setting up a framework which will separately identify the costs to be capitalized and those to be expended for the capital master plan as part of the Organization's move towards IPSAS implementation. Once guidelines have been established to distinguish capital costs from operating costs, the Office of the Capital Master Plan

[3] *Official Records of the General Assembly, Sixty-third Session, Supplement No. 5* (A/63/5), vol. V.

will work closely with the Accounts Division and the Programme Planning and Budget Division in analysing and separating the costs accordingly in preparation for implementation of IPSAS.

Department responsible: Department of Management
Status: In progress
Priority: Medium
Target date: 31 December 2011